

## STUDENT LOAN DEFAULT

### AFFECT ON LICENSE APPLICATION AND RENEWAL

KRS 164.772, which was enacted in 2002, prohibits state agencies from issuing or renewing professional or occupational licenses to individuals who are in default of their student loans.

The Kentucky Higher Education Assistance Authority (KHEAA) must declare that an individual is in default if he or she is not meeting the repayment obligation under any financial assistance program administered by KHEAA. This default declaration prohibits licensing agencies, including the Office of Insurance, from issuing or renewing a license for the individual unless KHEAA has verified that:

- The borrower in default has entered a satisfactory repayment agreement on the defaulted loan;
- The financial obligation has been waived for cause or discharged by KHEAA; or
- The financial obligation has been satisfied or paid in full.

This recent law applies to the following licenses issued by the Office of Insurance through the Licensing Division:

Agent	Temporary Agent
Adjuster	Apprentice Adjuster
Administrator	Consultant
Managing General Agent	Surplus Lines Broker
Reinsurance Intermediary Broker	Reinsurance Intermediary Manager
Rental Vehicle Agent	Rental Vehicle Managing Employee
Specialty Credit Producer	Specialty Credit Managing Employee
Viatical Settlement Broker	Viatical Settlement Provider

**Application for License** – As part of the process of issuing a new license, the Licensing Division checks the records of KHEAA. If the applicant is in default of his or her student loan, the individual is notified that the application cannot be processed further until the default is resolved with KHEAA. Further, the application is placed in a pending file for up to 90 days.

- If KHEAA **verifies** that the student loan default has been resolved before these 90 days expire, the application process will be completed and the license will be issued, assuming the applicant is otherwise qualified for the license.
- If KHEAA **does not verify** that the loan default has been resolved within these 90 days, the application file will be closed and the individual will be required to reapply after the repayment obligation on the student loan is resolved.

**Renewal of License** – All individual residents who held a license on January 1, 2003, were notified that if the records of KHEAA indicated on the license renewal deadline that the individual was in default on his or her student loan, the license renewal would be denied.

In addition at the time of license renewal, each individual resident is reminded on his or her license renewal invoice that if the individual is in default of a student loan on the renewal deadline, the license renewal will be denied and the license will terminate.

- If KHEAA **verifies** before the last day of the licensee's birth month that the student loan default is resolved, the license will be renewed.
- If KHEAA **does not verify** before the last day of the licensee's birth month that the student loan default is resolved, the license will terminate on that date. As a result, it will be unlawful for the individual to exercise the license after the end of his or her birth month. In addition, the individual will be ineligible to reapply for a new license until the repayment obligation on the student loan is resolved.
- If the individual demonstrates and KHEAA verifies that in fact the licensee was **not in default** of a student loan on his or her license renewal deadline, the license will be reinstated as of the last day of the licensee's birth month as if the license had not terminated.

**Re-issue of License** – A license non-renewed for default on a student loan may be reissued through a simplified procedure if the following requirements are satisfied within 12 months after the date the license terminated:

- (1) The former license submits an application for reissue of the license and remits all applicable fees, and
- (2) The KHEAA verifies to the Office that
  - a. The former licensee has entered a satisfactory repayment agreement on the defaulted loan,
  - b. The financial obligation has been waived for cause or discharged by the authority, or
  - c. The financial obligation has been satisfied or paid in full.

**KHEAA Contact** – The Kentucky Higher Education Assistance Authority may be contacted about student loan defaults at 1-800-928-4211 or (502) 696-7470.

**Additional Information about Insurance Licenses** – Additional information such as requirements for license, certain restrictions, verification of license status, continuing education status, appointment, designations with business entities, forms and instructions, etc. are available through the Office's Web site at <http://doi.ppr.ky.gov/kentucky/>